

Commute Stipend Primer

There are several options for implementing a stipend program. They are usually tied to “cashing out” privileges to a parking space, starting with the simplest:

Flat stipend (e.g. \$100.00ⁱ) to all employees

- The company is no longer providing free parking to employees.
- The company simply provides an amount to all employees and they make their own consumer choices on how to spend the money whether it pays for a portion of a monthly parking spot, a monthly transit pass, or something else.
- There is an additional tax liability for both company and employees.
 - This can be offset for the company by reducing the stipend (from amount paid for each parking space) to cover the additional liability.
 - With an additional layer of administration your company could use the IRS pre-tax commuter benefit to reduced tax liabilities (for both employer and employee) by the amounts actually paid for transit, parking, etc.
- The cost could also be reduced by specifying that all other transportation benefits currently provided (payment for car2go, tax vouchers, etc.) are to be paid for by the individual employee using their stipend.

Employees can opt-in to receive a stipend (e.g. \$100)

- Offer to any interested employees the stipend with the agreement that they will give up access to a parking space.
- They make their own consumer choices on how to spend the money.
- There is a smaller additional tax liability for both company and employees.
 - This can be offset for the company by reducing the stipend (from amount paid for each parking space) to cover the additional liability.
 - With an additional layer of administration Mutual Mobile could use the IRS pre-tax commuter benefit to reduced tax liabilities (for both employer and employee) by the amounts actually paid for transit, parking, etc.

Employer managed program

- Establish a monthly maximum allowance for commuting (let’s continue using \$100.00 as the example).
 - Employees elected to use allowance for parking, transit passes (by type/cost), cycling expenses, etc.
 - Decide if allowance applies to car2go and other current offers, i.e. taxi vouchers.
- The company administration allows the company to:
 - Maximize pre-tax benefits
 - Track performance of employees
 - Direct management over costs and liabilities

Communications is Critical

In which ever direct you go, change and particularly to something like parking, can be traumatic. There should be plenty of pre-implementation communications to make sure employees understand what is being considered, how it may or may not impact them, have a Q&A forum, and then figure out how they can make the changes they want to make.

- Develop compelling communications for “why” and “what.”
- Help employees understand the implications for them individually
- Help employees learn to find and use travel options that help them with the changes they wish to make.

ⁱ \$100 is simply an example amount. Your company will need to do its own calculations to set this amount. It is usually tied to the cost of a parking space (e.g., \$140/monthly) in downtown Austin and thus a \$100 stipend represents a \$40 per month per space savings or to reinvest this savings in other employee benefits, e.g, discount fitness members.